

CHAPTER 14 – DISABILITY PREMIUM WAIVER

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1400 Eligibility Criteria

When an employee under age 70 and insured under the Group Life Insurance Program becomes totally disabled from all gainful activity, and is likely to be disabled for the indefinite future, group life insurance coverage can be continued without payment of premiums. An employee may qualify for a waiver of premiums even though he or she does not qualify for a WRS disability annuity (Wis. Stat. §40.63) or Long-Term Disability Insurance (LTDI) benefit administered by ETF under Wis. Admin. Code § ETF 50.

NOTE: In this manual, LTDI means the long-term disability insurance benefit administered by ETF under Wis. Admin. Code § ETF 50. It does not include any other income continuation or disability insurance which may be offered by the employer or by ETF.

To be eligible for a disability premium waiver, the following criteria should be considered:

- A. The employee must be totally disabled as a result of injury or disease so as to be incapable of performing any work or engaging in any occupation and is likely to be disabled for the indefinite future.
 - 1. Examples of disabilities that are likely to qualify include cancer, heart disease, tuberculosis, disabling back injury, and mental illness, because the date of recovery is unknown. Examples of non-qualifying disabilities are a fractured arm, pneumonia, normal pregnancy (not high risk), or an appendectomy, because the date of return to work can be somewhat predicted.
 - 2. The employer is not required to make a medical judgement, or to evaluate the employee's potential for vocational rehabilitation. MLIC will require medical evidence from the employee to determine the employee's eligibility for a premium waiver.
- B. Insurance coverage must be in force at the time the employee becomes disabled and must be in force continuously until the effective date of the premium waiver.

- C. The employee must have stopped receiving earnings. "Earnings" means all payments reported to the WRS under Wis. Stats. § 40.02 (22), including sick leave and vacation, but it does not include temporary Worker's Compensation benefits that are reportable under Wis. Stats. § 40.29. The employer may submit the *Request for Disability Premium Waiver* (ET-5306), while earnings are still being paid.
- D. An employee may be eligible for a premium waiver after termination of employment only if the disability commenced before the insured employee terminated while insurance was in force. An employee whose disability began while the employee was on unpaid leave of absence is eligible, provided coverage was in force.
- E. An employee who qualifies for a WRS disability annuity or an LTDI benefit will automatically qualify to have life insurance premiums waived if the employee has coverage in force when the annuity or insurance benefit becomes effective. A *Request for Disability Premium Waiver* (ET-5306) must be filed as soon as possible to provide the necessary last day paid, last premium paid, and coverage information.

IMPORTANT: Premiums must continue to be paid by the employee and/or employer until informed by MLIC in a letter to the employee with copies to both the employer and ETF that premiums have been waived.

- F. An employee who receives a Duty Disability benefit under Wis. Stats. § 40.65, will not automatically qualify to have life insurance premiums waived. In these cases, the employer must submit a premium waiver form and MLIC will request medical evidence of disability from the employee.

NOTE: An insured employee, annuitant, spouse or dependent who is terminally ill or who requires skilled or unskilled nursing care for the rest of his or her lifetime may wish to apply for living benefits. See Subchapter 305 for more details.

1401 Submitting a Request for Disability Premium Waiver

Whenever the employer becomes aware that an insured employee may qualify for a premium waiver, the employer should file a *Request for Disability Premium Waiver* (ET-5306) with ETF. (See the sample form in Subchapter 1405.) The *Request for Disability Premium Waiver* filing deadline and processing steps are as follows:

- A. The request must be submitted within 36 months after the last day for which earnings were paid. An insured employee who becomes disabled while on union service leave of more than 36 months duration, may file a waiver more than 36 months after the last day for which earnings were paid.
- B. The employer completes the *Request for Disability Premium Waiver* (ET-5306), makes one photocopy for their records, and forwards the original copy to ETF.
- C. MLIC will contact the insured to request medical documentation to verify the individual is not working due to total and continuing disability.

- D. For state employees, approval of the *Request for Disability Premium Waiver* is acknowledged with the *Coverage During Disability* (ET-5806) notice. It is mailed by MLIC to both the employer and the employee.
- E. For local employees, MLIC sends a letter to both the employer and the employee acknowledging the approval of the premium waiver and certifying the life insurance coverage during disability.
- F. Unless the employee also qualifies for a WRS disability annuity under Wis. Stat. §40.63, or an LTDI benefit, MLIC will review the employee's status annually.

1402 Amount of Coverage During Premium Waiver

The amount of insurance continued while an employee is disabled is the amount in effect on the last day that the employee was on the payroll. Employees may not apply for any new coverage that may be offered by their employer until they return to WRS-covered employment.

1403 Effective Date of Premium Waiver

Premium waivers take effect on the later of:

1. The first of the month following the date the disability began, or
2. The first of the month following the last day for which the employee receives earnings (including sick leave and vacation but not including temporary Worker's Compensation benefits).

Employers must continue to collect premiums until notified by MLIC that the *Request for Disability Premium Waiver* has been approved. Please note that the employee must pay premiums for any month in which earnings (including paid leave) are received, even though the employee may also qualify for a disability annuity or LTDI benefit that will become effective in the same month. Where premiums are collected in advance, there may be a need to refund any premiums that have been collected for periods for which a waiver has been approved.

1404 Cancellation/Termination of Waiver

MLIC will request annual medical re-certification of the disability until the employee reaches age 65 unless the employee qualifies for a disability annuity or LTDI benefit. The waiver will be canceled if medical evidence indicates that the employee has recovered or if the employee fails to provide medical information when requested.

The following situations illustrate an employee's eligibility to continue waiver of premium:

- A. If an employee does not qualify for a disability annuity under Wis. Stats. § 40.63, or an LTDI benefit and returns to employment in any job or occupation, the premium waiver is canceled. The following steps should occur:
 1. Upon return to WRS-covered employment with the same employer, premium deductions will resume effective the first of the month following the return to work. No application is required unless new coverage was offered while the employee was on leave.
 2. As usual, premiums will be collected in advance. It may be necessary to collect several months' payment in one month.
 3. The employee will have the same amount of coverage that they had while on premium waiver. (See Subchapter 1402 for information.)
 4. The employee may also enroll for any new coverage levels that were added while the employee was on a premium waiver.
 5. The employer should notify MLIC of the employee's return to work by submitting a written memo, e-mail or FAX. The employee's name, Social Security number, and the date the employee returned to work should be provided.
 6. If the leave lasted three full calendar months or more, beginning in January of the next year, coverage will be based on the highest of the employee's:
 - Estimated earnings for the next 12 months
 - Actual prior year's WRS earnings
 - Current coverage amount
- B. If the employee returns to work and still qualifies for either a disability annuity under Wis. Stats. § 40.63 or an LTDI benefit, the waiver of premium remains in force.
 1. Temporary suspension of a disability annuity or LTDI benefit does not affect the waiver of premiums.
 2. If a disability annuity or LTDI benefit is terminated the premium waiver will terminate unless MLIC obtains medical proof of continued disability from the employee in order to maintain the premium waiver.
- C. If the waiver is canceled prior to the employee's insurance reduction age, MLIC will notify the employee of the following options:
 1. Approved leave of absence: the employee may continue group coverage as an employee for up to 36 months after the last day paid by resuming premium payments.

2. Employment has terminated: the employee may continue group coverage if the employee meets the requirements, by filing a *Continuation Application* (ET-2154) form, within 31 days of cancellation of the premium waiver. (Refer to Subchapters 1603, 1609 and 1610.)
 3. Employee is not eligible to continue group insurance: the employee may convert to an individual policy with MLIC by filing a *Conversion Application* (ET-2306) form within 31 days of cancellation of the premium waiver. (Refer to Subchapter 1611.)
- D. The premium waiver terminates when a disabled employee reaches insurance reduction age. The insurance reduction age is age 65 if the employee has already terminated employment; otherwise, it is either the date employment terminates, or Age 70, whichever occurs first.

An employee insured under waiver of premium on the date the employee attains the insurance reduction age is entitled to premium-free, post-retirement insurance coverage at the level provided by the employee's former employer (50% or 25%); all other coverage (Supplemental, Additional, and/or Spouse and Dependent) ceases.

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1405 Request for Disability Premium Waiver (ET-5306)

Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931

Group Life Insurance
REQUEST FOR DISABILITY PREMIUM WAIVER

Wis. Stat. § 40.72

			Claim Number	
Name (Last, First, Middle, Maiden)			Plan A—	Dept./Unit
Address (Street and No.)			Social Security Number	
(City, State, Zip Code)			Birthdate (MM/DD/CCYY)	Sex <input type="checkbox"/> Male <input type="checkbox"/> Female
Employer Name			Employer Number 69-036-	
Last Day Worked (MM/DD/CCYY)	Last Day for Which Paid (MM/DD/CCYY)	Last Month/Year for Which Premium Has Been Collected		(ETF Use Only) Effective Date
		Deduction Month/Year: _____ Coverage Month/Year: _____		
<p>Has employee terminated employment? <input type="checkbox"/> Yes (Date of termination _____) <input type="checkbox"/> No</p> <p>If yes, is the termination due to an apparent disability? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Is the employee on a leave of absence (LOA)? <input type="checkbox"/> Yes (Date LOA commenced _____) <input type="checkbox"/> No</p> <p>If yes, is the employee expected to return from LOA? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Unknown</p>		<p>Coverage Based on:</p> <p>Year _____</p> <p>Earnings Amount \$ _____</p> <p>Coverage Amount \$ _____</p> <p>TYPE: _____ Effective Date _____</p> <p>Basic _____</p> <p>Supplemental _____</p> <p>Additional 1 _____</p> <p>Additional 2 _____</p> <p>Additional 3 _____</p> <p>S/D I _____</p> <p>II _____</p>		
Description of Disability (if known)				
I understand that Wis. Stat. § 943.395 provides criminal penalties for knowingly making false or fraudulent claims on this form and hereby certify that, to the best of my knowledge and belief, the above information is true and correct.				
Date (MM/DD/CCYY)	Signature of Employer Representative			Telephone Number

To the Employer: File this form whenever you first become aware that an insured employee is unable to work due to illness or injury and will be unable to perform any work or to engage in any occupation for an indefinite period. You are not required to make a medical determination or evaluate the individual's potential for vocational rehabilitation or retraining. The employee will be required to submit medical evidence to the insurance company that demonstrates a total disability.

This form must be filed within 36 months after the last day for which earnings were paid. Insured employees who are on layoff status or on leave for non-medical reasons are eligible if they become disabled during the leave. Employees who have terminated employment are eligible only if the onset of the disability occurred prior to termination. Employees who become disabled while on a union service leave of more than 36 months' duration are not disqualified from receiving a waiver of premium after 36 months. **Life insurance coverage must be in force at the time the employee becomes disabled.**

Effective Date: If approved, the premium waiver will take effect beginning with the first of the month following the date of the onset of disability or the last day for which earnings were paid, whichever is later. **Continue to collect and submit premiums until you receive notification that the disability premium waiver is approved.**

Make a copy for your records.